Investment Deduction

Fact Sheet

Indiana Department of
Local Government Finance

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Investment Deductions Overview

The investment deduction provides Indiana business taxpayers with a three-year deduction from the assessed valuation of new investments in real and personal property. The intent of the deduction is to spur investment in Indiana, increase the tax base, and create and retain jobs.

Investments made between March 2, 2005 and March 1, 2009 to redevelop or rehabilitate real property that resulted in the creation or retention of employment are eligible for the deduction. Personal property never before used by its owner in the state that creates or retains jobs is also eligible for the deduction.

The deduction is available to businesses all sizes. However, the investment deduction cannot be used with other deductions, and it is not available to businesses operating in an allocation area, such as a tax increment financing (TIF) district.

Taxpayer Impact

The investment deduction benefits Hoosiers by providing simple, flexible incentives for businesses to invest in Indiana. The increased investment not only creates or retains jobs, but it also provides additional tax base in a community.

The amount of the deduction is the lesser of two million dollars (per county) for real and personal property or the increase in assessed valuation resulting from the investment multiplied by 75 percent the first year, 50 percent the second year, and 25 percent the third year.

How It Works

Business property owners file a State Form RPID-1 with the township assessor to request the investment deduction for real property. The form must be filed within 30 days of receiving the notice of new assessed value for the property. Applicants seeking a personal property investment deduction must file a State Form PPID-1 with their annual personal property return.

Local assessing officials and the county auditor may review deduction requests to validate that the investment creates or retains employment.

Upon approval, the County Auditor applies the deduction(s) to the assessed valuation of the property, which is reflected on the next year's tax bill. The Auditor automatically applies the real property investment deduction for the three-year life of the deduction with no additional filing required. Business owners requesting the personal property investment deduction must file the deduction application the first assessment year for each deduction requested with their personal property return.

Frequently Asked Questions

Q: How is the $2 million annual assessed value limit applied?
A: A property owner may receive a deduction of no more than $2 million in each county, regardless of the number of parcels of real estate owned by the property owner. Each parcel of real estate does not have its own $2 million limitation. Personal property has a separate $2 million assessed value limitation.

Q: Can a taxpayer receive a tax abatement and the investment deduction?
A: A property that qualifies for the investment deduction may not receive a deduction under another provision of Indiana Code for that taxable year. The property owner has a choice, to pursue traditional tax abatement or the investment deduction. He or she cannot receive both on the same property. However, property not receiving an abatement located on the same parcel as the abated property may receive the investment deduction.

Q: What businesses are excluded from receiving the investment deduction?
A: The deduction does not apply to golf courses, country and tennis clubs, massage parlors, racetracks, restaurants, automobile dealerships, other retail establishments, residential property and package liquor stores. A complete listing of ineligible property can be found in IC 6-1.1-12.1.

Q: How is the retention or creation of jobs determined by the county?
A: The applicant signs under penalty of perjury that the investment creates or retains employment on the application form. Local officials may research the validity of claims and hold a hearing to determine if the applicant made reasonable efforts to create or retain jobs. If information presented at the hearing reveals no qualifying investment, the county may remove the deduction and send notice to applicant.

Q: Can a taxpayer claim the personal property investment deduction on an amended personal property return?
A: A taxpayer may claim the personal property investment deduction on a timely filed amended personal property return. A taxpayer can also change the amount of the investment deduction they are requesting by filing a timely amended personal property return. The taxpayer should file both an amended return and the PPID form since the personal property return will be amended to reflect the deduction.

Contact Information

For more information on investment deduction, contact your Township Assessor or County Auditor. A complete listing of local official contact information can be found online at http://www.in.gov/serv/dlgf_officials.

Additional investment deduction information is available from the Indiana Department of Local Government Finance at (317) 232-3777 or online at www.in.gov/dlgf.